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I. THE COMMUNIST BLOC**Berlin Situation**

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The adverse economic effects of the present crisis are becoming more noticeable in West Berlin. City officials feel that there is more anxiety and loss of confidence among wealthy business circles than at the time of the 1948 blockade or at the outbreak of the Korean war. While there has been no panic buying, bank withdrawals for the past week have exceeded deposits. At the outbreak of the Korean war, such excess withdrawals lasted only three days. American officials in Berlin have received reports of drops in industrial orders and postponement of deliveries to West Berlin for fear of nonpayment. The Berlin stock market declined 10 percent over the past week.

American officials in Berlin believe that a Soviet-German military commission which met in East Berlin on 21 November may have dealt with details of a Soviet turnover of control over access routes to the East Germans and that no subsequent high-level meeting on this matter will take place. These officials feel, therefore, that the actual turnover might come about much sooner than previously anticipated.

A high East German functionary told [redacted] that his government would play a more active role after a Soviet note on Berlin was delivered to the Western powers on 22 November. The expected note, however, has not yet appeared. [redacted]

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[redacted] a wave of optimism has swept supporters of SED First Secretary Ulbricht because Khrushchev is at long last supporting the East German leader's views on changing the status of Berlin.

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West German Foreign Minister Brentano feels that after the East Germans assume control they will proceed cautiously, with no changes in checking procedures. He believes, however, that in about six weeks they would require all travelers to and from Berlin to obtain East German approval, which would have

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the effect of sealing off Berlin and "choking it economically and politically to the point of collapse."

West German Chancellor Adenauer told Ambassador Bruce on 22 November that he considered Khrushchev "a great actor who liked to create suspense and who may be in the process of altering the lines of his original script." Referring to his conversation with Soviet Ambassador Smirnov, the chancellor said it had been "unpleasant and unproductive," especially since Smirnov was evidently under surveillance by a staff member who noted his every utterance. (SECRET NOFORN)

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